City of Big Shoulders slumps

Chicago shops suffer new-business drought

By SCOTT HUME
and JULIE LIESSE ERICKSON

Chicago, the "second city" of advertising, is suffering from a new-business dry spell, and there doesn't appear to be any rain in sight.

Chicago agencies account for media billings of more than $5 billion, but the odds of increasing that have grown slim this year. One agency head even called it this year's "other drought."

In addition to a shortage of good new accounts, Chicago agencies have lost an estimated $300 million in billings from major national advertisers during the past year, which far eclipses the amount of incoming business or new assignments from existing clients. One agency's internal estimate is that layoffs and resignations have eliminated 10% of the city's 1986 agency work force.

Chicago agencies had at least preliminary shots at Nissan Motor Corp. USA's Infiniti business and General Motors Corp.'s Saturn account, only to watch those land at agencies on the two coasts. Meanwhile, shops scramble for local opportunities; Foote, Cone & Belding, the market's No. 2 shop, is a finalist in the Wisconsin Milk Marketing Board's $5 million review, and even Leo Burnett USA, a $1.5 billion agency, is pitching the $10 million Ameritech corporate account.

One piece of business headed out of town is the $15 million creative assignment for Long John Silver's, previously at FCB.

"We talked to a number of Chicago agencies, several of which we invited to participate in the review," said Dennis Kruse, VP-advertising for Lexington, Ky.-based Long John's. "While I wouldn't say we were disappointed with the creative we saw . . . we were impressed with the creative capabilities we saw from some unexpected places" outside Chicago.

Finalists for the business are Campbell-Mithun-Esty and Scali, McCabe, Sloves, both New York, and the Richards Group, Dallas.

GSD&M, Austin, Texas, picked up the largest single piece of Chicago business lost in the past year, Adolph Coors Co.'s $40 million Coors beer account, from FCB (which kept Coors Light and some smaller Coors brands).

Some advertising executives pooh-pooh the notion that Chicago is in trouble, blaming agency and advertiser megamergers and the resulting conflicts for many of the individual account problems. Branch offices of Ogilvy & Mather and Young & Rubicam have been hampered by conflicts and overshadowed by larger sister offices.

"I think there's plenty of good advertising in Chicago and likewise plenty of good clients," said Alan Webb, exec VP at J. Walter Thompson USA. "What I think you've seen is more of a settling—a response to changes on both the client and agency side. But I think that's been true of the ad business and the general business community as a whole."

Added Wayne Fickinger, vice chairman at Bozell, Jacobs, Kenyon & Eckhardt: "I believe the good agencies in town are retaining their business, that nothing is really falling apart here. There are forces at work affecting this market, but I believe many are just cyclical."

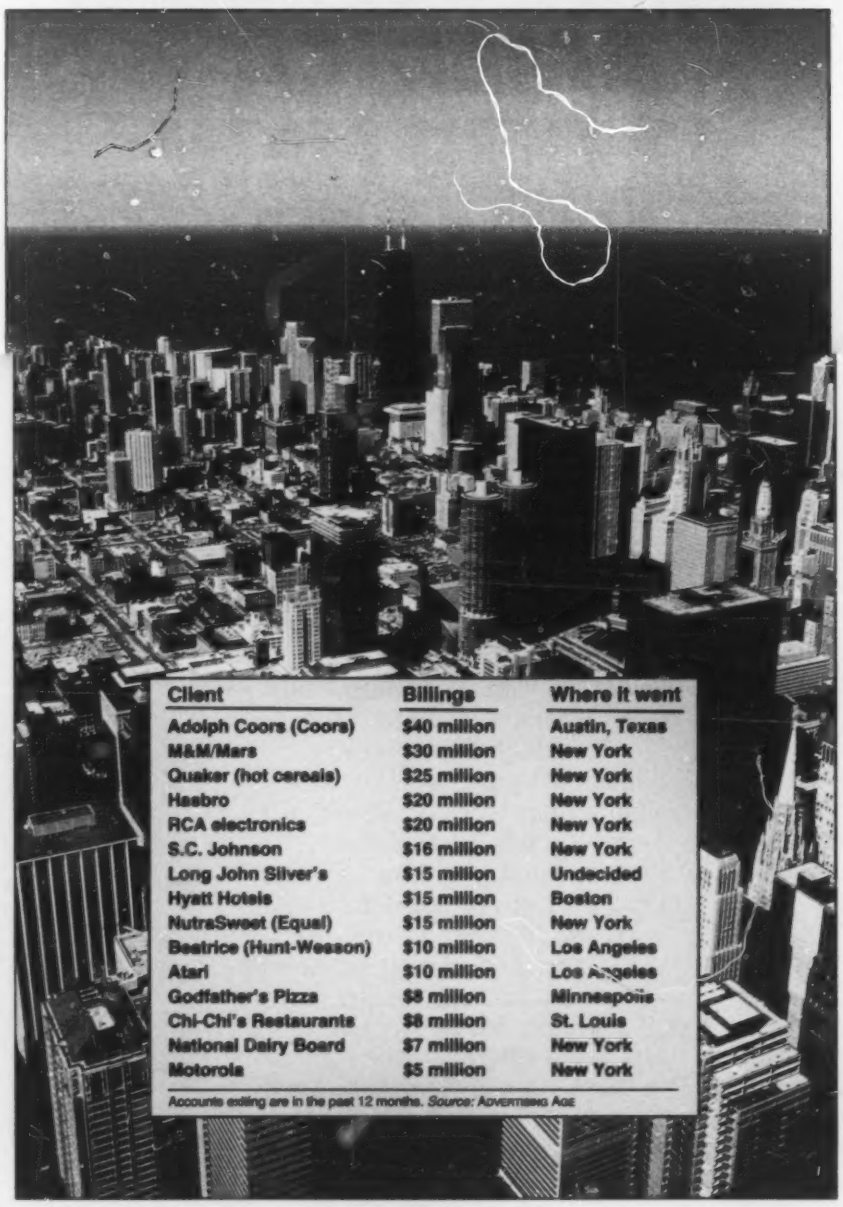
Others bitterly remember The Best Show, the creative competition organized last year by the Chicago Advertising Club. The big winner was Minneapolis' Fallon McElligott.

There was no Second Annual Best Show this year.

A lack of creative pizazz isn't the whole problem. In studying the market's long-term client potential, Campbell-Mithun-Esty discovered that 84 of Chicago's top 150 companies either don't advertise or have accounts smaller than $3 million. Of the remaining 66 companies, 18 have in-house agencies and two are agencies themselves (Burnett and FCB).

That leaves 46 companies with significant business for outside agencies. Of those, more than half—25—have either an out-of-town or a specialized agency.

Major accounts exiting Chicago agencies



Client	Billings	Where it went
Adolph Coors (Coors)	$40 million	Austin, Texas
M&M/Mars	$30 million	New York
Quaker (hot cereals)	$25 million	New York
Hasbro	$20 million	New York
RCA electronics	$20 million	New York
S.C. Johnson	$16 million	New York
Long John Silver's	$15 million	Undecided
Hyatt Hotels	$15 million	Boston
NutraSweet (Equal)	$15 million	New York
Beatrice (Hunt-Wesson)	$10 million	Los Angeles
Atari	$10 million	Los Angeles
Godfather's Pizza	$8 million	Minneapolis
Chi-Chi's Restaurants	$8 million	St. Louis
National Dairy Board	$7 million	New York
Motorola	$5 million	New York

Accounts exiting are in the past 12 months. *Source:* Advertising Age

For C-M-E Exec VP Marvin Goldsmith, those numbers mean one thing: "Chicago agencies must wake up and realize they need to play in a bigger playground."

"We get a lot of our growth from food and package goods, but computer and service businesses are where the growth is, and the Midwest is not a center of those businesses," said Powell Johns, president of HDM Dawson Johns & Black.

Also, Mr. Goldsmith said, "I'm not sure that Chicago agencies have aggressively pursued business outside the Midwest—that's one problem. We've also gone through a tremendous interest in creative shops. And Chicago is being challenged to work at providing a good creative product."

Is creative output the problem? On the surface, no; for the past two years, Chicago-based agencies—Burnett in 1987 and FCB in 1986—have captured Advertising Age's Agency of the Year award, acknowledging creative excellence.

But beyond Burnett—which, at three times the size of its nearest competitor seems an odd choice for the city's hottest creative shop—DDB Needham Worldwide and Bayer Bess Vanderwarker, creative executives are hard-pressed to name a "hot" Chicago agency.

"I think we all need to ask ourselves whether we're offering 1970s advertising to answer 1990s marketing problems," Mr. Johns said. "A lot of Chicago advertising seems long on marketing and short on pizazz."

"No one in Chicago except maybe some small agencies are really dedicated to doing outstanding creative. Who has a great creative reputation right now?" said Bob Barocci, chairman of McConnaughy Barocci Brown. "There needs to be a rededication to creative excellence by the major shops in town."

Some executives say the problem is that agencies neglect to promote their creative product.

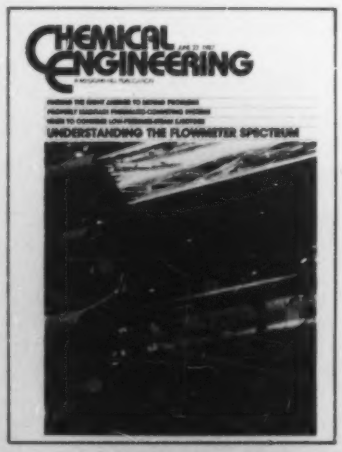
"It's true; Chicago isn't getting the opportunities it should," said Peter Krivkovich, president of Cramer-Krasselt. "When you look at the roster of the agencies who do get the attention, and compare it with the awards Chicago wins and the high quality of work we do, you realize we should definitely be getting consideration for the best business too.

"But Chicago agencies have traditionally not been promoters of themselves. Chicago isn't thought of as a glitzy ad community; instead it's thought of more as a hard-working, let's-get-the-job-done agency city."

Some advertisers say Chicago agencies sometimes miss other pieces of the puzzle.

In June 1986, Kitchens of Sara Lee in suburban Deerfield was forced to find a new agency after FCB resigned because of a client conflict. It moved the business to Chiat/Day, New York, in part because of C/D's account planning system.

"When we went to search for an agency, we felt it would be an advantage to be with a midsize Chicago shop," said Bob Tarkington, VP-marketing. "If anything, we gave high priority to agencies in Chicago. When we put together our short list, we were looking primarily at out-of-town shops."#



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McGraw Hill

Dealers' choice: more nameplates

By Laura Clark

Not too long ago, the average American auto dealer was not unlike the owner of any small retail business.

He sold one brand of cars and trucks and was loyal to one company. His contact and input from the manufacturer was through a factory sales representative. He promoted his store through local advertising paid out of his own pocket.

But the profile of the American car dealer and his importance to the factory is changing as quickly as the American auto industry itself.

The average dealership in the U.S. handles two or more nameplates, with many car and truck dealers selling import and domestic lines in one facility.

As of Jan. 1, there were 24,938 dealerships holding 72,191 franchises from 12 domestic and 39 import makes for an average of 2.89 franchises per outlet, according to *Automotive News'* dealership census.

Laura Clark covers advertising and marketing for Automotive News, *a sister publication of* Advertising Age.

■ *But as rules loosened, control of regional marketing dollars dividing factory, some stores*

General Motors Corp. recently dropped a restriction on how many facilities each of its dealers could own. In March 1985, GM said its dealers could own up to five facilities and invest in up to five more. Now each case is being looked at individually.

"[The restrictions] were not appropriate in today's business climate," Claude N. Moore, GM VP-customer sales and service, said in a letter to GM dealers.

Facilities are no longer small "corner store" operations but large, well capitalized facilities.

The move toward multi-franchising and larger facilities are requiring more capital investment. The number of mega-dealers is rapidly increasing each year.

Some dealership groups are taking their companies public to provide the capital needed for expansion. Two publicly traded foreign companies—Lex Service PLC of Britain and Tokyo Nissan of Japan—announced this year they intend to begin purchasing American dealerships.

Both GM and Ford Motor Co. —which previously frowned on public ownership of dealerships holding one of their franchises —have reconsidered. Mitsubishi Motor Sales of America also gave its OK recently on the public ownership issue.

Along with allowing its dealers to branch into new areas, manufacturers also are relying on their dealers to assist them in marketing to a given area.

Automotive marketers have followed the food industry into regional marketing or tailored messages for individual areas.

The full-size pickup truck that is almost non-existent in New York is actively touted as a staple to many Dallas residents. Large, rear-wheel-drive domestic cars sell well in Florida but barely move off the lots in California.

Regional marketing has boosted advertising budgets. The National Automobile Dealers Association says dealers spent $3.6 billion in advertising in 1987, up from $2.9 billion in 1985.

"The challenge is to have an umbrella that works in all areas and to tailor that overall strategy to unique needs of certain markets," says Warren Christell, Oldsmobile general marketing manager.

Ford, Lincoln-Mercury, Dodge, Pontiac and Chevrolet were the first to begin regional efforts. Chevrolet and Pontiac began California marketing programs in the early 1980s to combat rising Japanese competition.

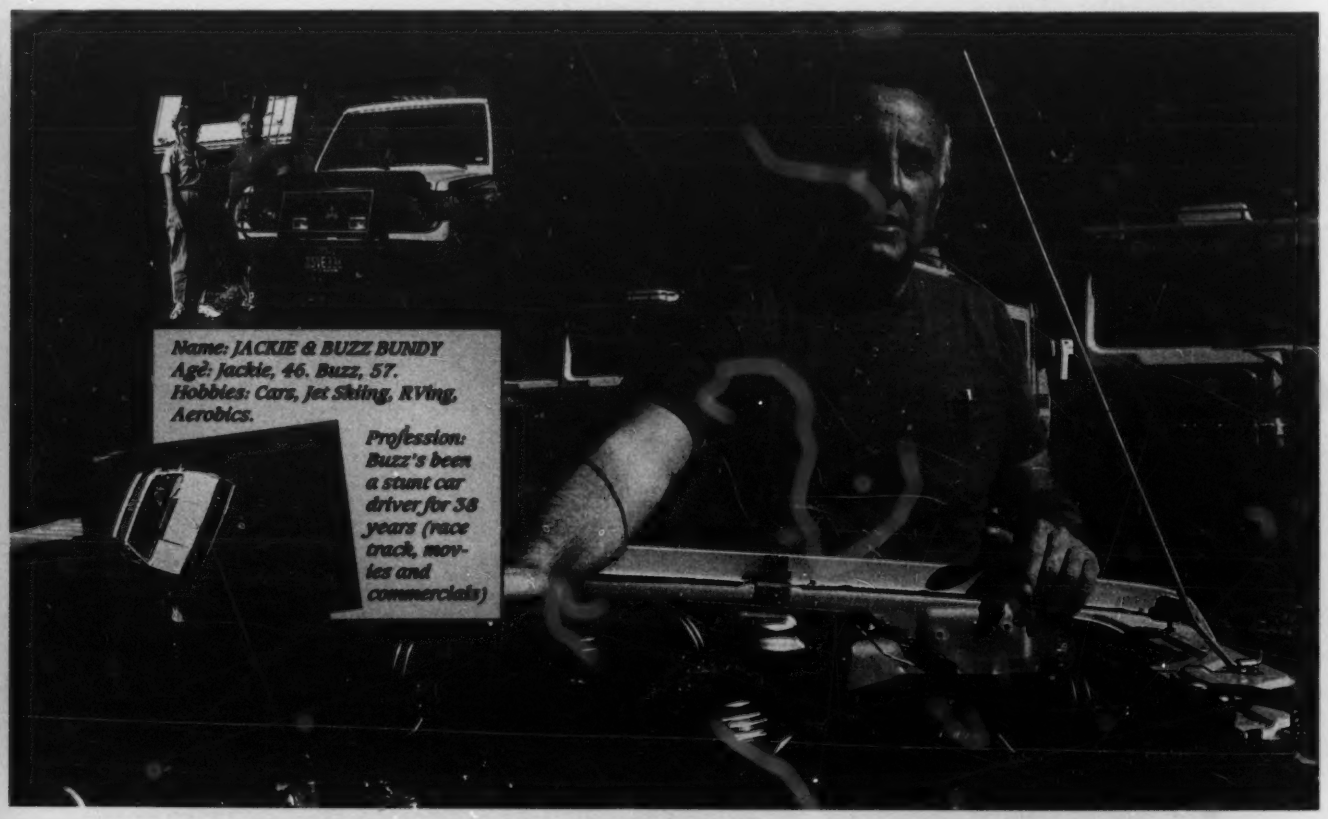
In 1984, Chevrolet took the step of hiring a separate agency, Vic Olesen & Partners, Culver City, Calif., to handle West Coast advertising, previously handled by Campbell-Ewald, Warren, Mich., the division's long-time national agency.

Dodge's program focused on the hot Texas truck market, and later Chrysler Corp. added marketing programs for California and the Northeastern U.S. Patrick Keegan, director of special marketing programs for Chrysler, says the company worked with its dealers to establish regional programs with appropriate products.

Nissan, BMW and Mercedes-Benz of North America also are building regional efforts with the help of their dealer groups.

Mercedes-Benz last year established its Marketing Group Support Program. "We started to think that we had a corporate advertising effort and then we had the individual dealer; in the middle we had nothing,"

(Continued on Page S-6)


Name: JACKIE & BUZZ BUNDY
Age: Jackie, 46. Buzz, 57.
Hobbies: Cars, Jet Skiing, RVing, Aerobics.
Profession: Buzz's been a stunt car driver for 38 years (race track, movies and commercials)

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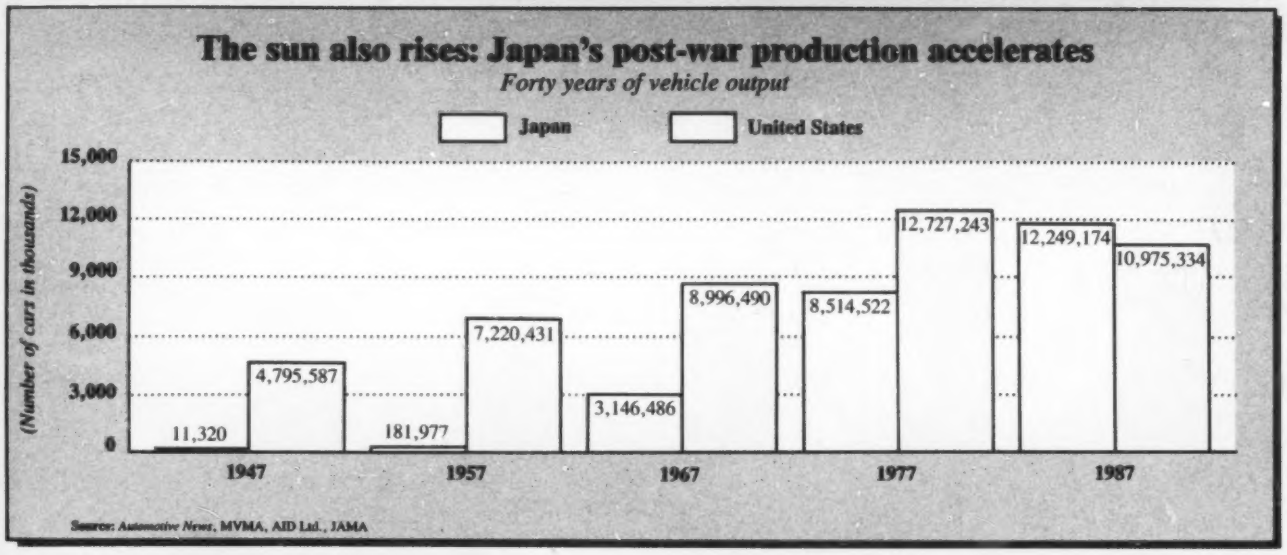
Trailer Life/MotorHome
The active senior travels with us.

Source: 1987 *Trailer Life/MotorHome* Subscriber Study, Conducted by John Schug Media Research

DATA BANK — Auto Marketing



Dealers' choice

(Continued from Page S-4)
says Gerd Klauss, VP-operations for Mercedes-Benz of North America.

Nissan also is relying on its dealers, recently starting a regional marketing program that allows its dealers to direct the company's marketing efforts in four U.S. regions.

Instead of collecting advertising fees for each vehicle from dealer association members and contributing factory funds to dealer groups, Nissan includes the cost of local advertising in the wholesale price of the car and works with dealers in tailoring programs locally.

Unlike in the past, factory funds will be spent on only ads developed by Nissan's new national advertising agency, Chiat/Day. According to Nissan VP Bob Thomas, the carmaker needs a consistent image using one advertising theme.

These new policies regarding co-op or "market support" advertising have created some friction. Some dealers feel the regional effort has been a method to make the dealers help pay for factory advertising.

"They [the manufacturers] are trying to transfer the cost of advertising their products to the dealer and ultimately to the customer," says Jim Caplinger, former National Automobile Dealer Association president and an Arkansas car dealer.

"Some dealers are unable to advertise their own stores [because they must pay for dealer group ads]," Mr. Caplinger says.

NADA recently opposed mandatory membership in dealer advertising groups.

The action was taken after several Chevrolet dealers had voiced concern over Chevy's new policy of adding advertising charges to the invoice price of every vehicle sold. GMC's truck division is eyeing a similar program.

Beginning in the 1989 model year, 1% of the invoice price of every retail Chevrolet car or truck will be collected for dealer association advertising, regardless of whether a dealer wants to belong to an association or not.

According to Chevrolet Marketing Manager Mike Erdman, the program was designed to equalize the cost of local advertising among all dealers and bring Chevrolet collections up to the level of its competitors.

Chrysler divisions also are going to the 1% (or more in some cases) of invoice to fund dealer association ads. Jeep-Eagle division dealers transfered to the 1% of invoice collection system after Chrysler Corp. purchased American Motors Corp. in 1987.

"We had a lot of difficult meetings with the dealers, a lot of it was, 'Trust me, it will work,' " says Bob Williams, Jeep-Eagle dealer marketing manager.

As manufacturers tighten their marketing "partnership" with dealers, many are asking or encouraging dealer groups to use the factory's advertising agency.

McCann-Erickson, Buick's national agency and the only GM agency currently handling dealer group ad business, would like to add more Buick groups to its roster.

J. Walter Thompson USA, Ford division's agency, also is seeking more Ford retail business and has recently taken out ads in Ford's dealer magazine using testimonials from Ford dealer group presidents using JWT.

But independent agencies say a national agency cannot serve both the manufacturer and the retail-oriented ad group.

"The problem is that for the manufacturer there are some good and some bad agencies handling their groups," says Tim Kelling, VP-director of Kelling-Murley automotive division of W.B. Doner & Co., Southfield, Mich., which handles several Pontiac and Ford dealer groups.

GM divisions, Ford and Toyota all say they will continue to allow their dealers to choose their own advertising agency.

Others, including Chrysler, Mercedes-Benz and Nissan, believe the one agency approach will help to give a consistent image for the brand.

Regardless of the approach, it is certain as competition rises in the auto industry, carmakers will rely more on the dealers' input to win in the trenches.

Local advertising by new car dealers in 1987

Media used	*Millions spent*
Newspaper	$2,028
Radio	714
TV	651
Direct mail	144
Outdoor	69
Displays, demonstrations	37
Programs	31
Handouts or handbills	10
Other	29
Total	$3,713

Type of advertising	*Millions spent*
New vehicle	1,968
Used vehicle	1,040
Institutional	408
Service	297
Total	$3,713

Source: NADA Industry Analysis Dept.

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Communities in crisis

Plant shutdowns continue as foreign transplants, overcapacity problems cause cutbacks by U.S. automakers

By Dee Ann Maki

Ford Motor Co., whose Probe and Taurus models have helped make it the darling of Detroit, has been unable to steer clear of the industry's biggest public relations pothole. In the latest of a series of Big Three plant closings last month, Ford confirmed its Forge plant in Canton, Ohio, would be shut down by the end of the year, marking the first plant closing for the No. 2 automaker in five years.

A plant closing can become a major public relations debacle for a company when a large segment of the community relies on it for employment. Chrysler Corp.'s announcement to phase out its Kenosha, Wis., assembly and stamping plant, directly affecting 5% of the city's population, generated a storm of national media attention.

Ford's decision to close the Forge plant has met with harsh criticism. According to Stephen Yokich, a United Auto Workers VP, the closing was "a completely unnecessary action." He blasts Ford for not paying attention to a 1987 A.T. Kearney Co. study that concluded the plant could be made profitable if appropriate actions were taken by both Ford and its union.

"Assessing all the evidence, it appears [Ford management] never had any intention of treating the investigation by the Kearney consultants as anything other than an expensive smokescreen with which to cover their tracks while they proceeded with their predetermined decision to permanently close the plant," says Mr. Yokich.

To stem the animosity, Ford promises to place as many salaried and hourly employees as possible in other company locations," according to Henry Nichol, general manager, Transmission and Chassis division of Ford North America Automotive Operation. Since the September 1986, announcement, about 350 workers have been placed and 140 have retired; 419 employees still work at the plant.

The most publicized plant closings involved Chrysler's Kenosha plant and Volkswagen AG's July 14 shutdown of its Westmoreland, Pa., plant. The latter, representing the first time a foreign-based auto manufacturer has idled a U.S. assembly plant, stands in sharp contrast to Asian manfacturers' rush to build U.S. facilities.

Sales of Volkswagens in Westmoreland County have dropped slightly since the closing, says a Volkswagen of America spokesman. He asserts that the decline primarily is in response to local economic conditions rather than the plant closing.

The company contends that Westmoreland's production levels did not justify its operating costs. Volkswagen's U.S. production output fell 21% in 1987 to 66,696, from 84,397 in 1986. Westmoreland produced the Golf, GTI and Jetta models.

To assist the 2,500 workers affected by the planned shutdown, Volkswagen established a job bank, offering employees job placement and training programs. Several job placement agencies have set up shop within the Westmoreland plant, counseling workers and offering national computerized search programs. Hourly workers will receive a $6,000 severance check and a $1,000 bonus.

In Kenosha, Chrysler's troubles were compounded by Chairman Lee Iacocca's announcement that the plant would be closed earlier than originally stated.

One outdoor board installed by the United Auto Workers-Local 72 near Chrysler's Highland Park, Mich., headquarters read, "Iacocca, keep your word to Kenosha."

In response, Mr. Iacocca said, "Blame us for being dumb managers for spending $200 million to put [out] two old cars in an 86-year-old plant, but please don't call me a liar when I've got to close it sooner than I thought."

Chrysler acquired the Kenosha facility as part of its August 1987 purchase of American Motors Corp. Analysts had predicted Chrysler would close either the Kenosha plant or the Jeep facility in Toledo, Ohio.

The Jeep plant appeared to be destined for mothballs, but the company reconsidered following a tentative contract agreement with the Jeep unit of UAW-Local 12, assuring production until Sept. 14, 1992.

At the end of January, Chrysler announced plans to close the Kenosha plant, which produces the Dodge Omni, Plymouth Horizon models, Chrysler Fifth Avenue, Dodge Diplomat and Plymouth Grand Fury. The Kenosha Jeep engine plant is expected to remain open, employing about 1,000.

Mr. Iacocca attributes the decision to close the facility to an overcapacity problem. Analysts estimate that without such cutbacks, auto industry production would exceed demand by about 5 million vehicles a year by the early 1990s. Car production in the U.S. decreased 9.4% from 1986 to 1987 to 7.1 million vehicles, according to *Automotive News*.

After the announcement, Wisconsin Attorney General Donald Hathaway claimed that Chrysler had agreed to continue production at Kenosha in return for state and city aid in modernizing the facility. Chrysler promised to repay Kenosha its $1 million investment in the plant and to help relocate or work out retirement programs for the 5,500 workers affected.

Chrysler sales in the Kenosha area initially dropped off drastically. When Chrysler announced in February that it would create a trust fund of up to $20 million for displaced workers, with the money tied to 1988 sales in Wisconsin, local sales of Chryslers rebounded.

Plant closings never fail to generate negative publicity—at least at a local level. When General Motors Corp. closed Cadillac division's Fleetwood Body and Clark Avenue plants in southwest Detroit, members of UAW-Local 22 held candlelight vigils at the plant gates.

A number of the 6,600 displaced workers were recruited to GM's new Detroit-Hamtramck facility, yet an estimated 3,000 workers were left unemployed.

The problem of dealing with displaced workers and the accompanying damaging publicity is perennial. U.S. employment in motor vehicle and related manufacturing industries, which reached more than 1 million in 1978, has fallen to 841,700 last year, according to *Automotive News*.

General Motors should become the expert at managing these crises. The company has announced plans to phase out an additional six plants by 1990.

Dee Ann Maki is a Detroit-based correspondent for ADVERTISING AGE.

Associate editor Anita M. Busch coordinated this report on Automotive Marketing.

Coming

Next week ADVERTISING AGE's Special Report will focus on **Direct Marketing.**

DATA BANK — Auto Marketing

Downtime on the assembly lines

1987-88 U.S. plant closings

Plant	Location	When closed	Employees*
Chrysler:			
1. Kenosha Assembly and Stamping Plants	Kenosha, Wis.	*by the end of 1988*	5,500
2. Indianapolis Electrical	Indianapolis	*by early 1989*	975
3. Milwaukee Stamping Plant	Milwaukee	*March 1988*	450
4. Amplex Van Wert	Van Wert, Ohio	*to be closed or sold by September 1989*	300
5. Winfield Foundry	Detroit	*by September 1988*	60
6. Detroit Forge	Detroit	*to be closed or sold by September 1989*	400
7. Detroit Trim	Detroit	*to be closed or sold by September 1989*	1,000
8. Trenton Chemical	Trenton, Mich.	*to be closed or sold by September 1989*	200
Average number of workers employed by Chrysler in the U.S. in 1987—118,700			
Ford Motor Co:			
1. Forge plant	Canton, Ohio	by the end of 1988	909
Average number of workers employed by Ford in U.S. in 1987— 180,800			
General Motors:			
1. Truck & Bus Group Facility	St. Louis, Mo.	*in August 1987*	2,600
2. Chevrolet-Pontiac-Canada	Norwood, Ohio	*in August 1987*	4,000
3. Fleetwood Body/Clark Avenue plants	Detroit	*in mid-Dec. 1987*	6,600
4. Buick-Oldsmobile-Cadillac (BOC) body/assembly	Flint, Mich.	*in December 1987*	2,500
5. CPC final assembly plant	Pontiac, Mich.	*in December 1987*	2,000
6. B-O-C manufacturing and stamping plant	Chicago	*by 1990*	2,500
7. C-P-C stamping plant	Hamilton, Ohio	*by 1989*	2,500
8. B-O-C Conner Street stamping plant	Detroit	*by 1990*	700
9. Fisher Guide Division, Fisher Guide	Elyria, Ohio	*ceased production July 1, but will remain open until end of 1988*	2,050
10. Fort Street plant	Detroit	*by end of 1989*	2,057
11. Central Foundry-nodular iron case plant	Saginaw, Mich.	*in Dec. 1987*	700
12. Inland Division interior trim plant	Tecumseh, Mich.	*in Dec. 1987*	900
13. Hydro-matic Division	Constantine, Mich.	*in Dec. 1987*	135
Average number of workers employed by GM in the U.S. during 1987—583,000			
Volkswagen AG:			
1. Westmoreland Assembly Plant	Westmoreland, Pa.	*July 21, 1988*	2,900
Average number of workers employed by Volkswagen in the U.S. in 1987 —5,529			

Source: Advertising Age—information provided by the automakers

*Approximate number of workers employed at the time of the announcement

8/3/88

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Last Minute News

AGB pulling the plug on U.S. people meters

LONDON—AGB is ending its pioneering people-meter audience measurement service in the U.S. AGB already has invested $67 million in the U.S. venture, called AGB Television Research Service, and estimates the cost of suspending it at another $52 million.

The decision to shut down the U.S. service is part of an agreement by the financially pressed U.K. company to merge its operations with Mediamark Research Inc. Mediamark is owned by U.K. group MAI, which will increase its stake in AGB to 31% from 8.9%. AGB's stock plummeted after the announcement.

Tim Joyce, MRI chairman, said, "It is naturally disappointing that we have had to conclude that the U.S. TV project must be suspended, but it was clearly not realistic to suppose that costs could be covered by revenues in the foreseeable future."

A.C. Nielsen Co. is now the only major U.S. TV audience measurement service. "Nielsen will continue to reinforce its commitment—with product, with investment and with experience—to provide high quality, high value information services to customers," said John Holt, Nielsen's chairman and ceo.

"AGB was around for a relatively short period of time, but it made a significant impact on the industry," said Peter Chrisanthopoulos, president, RJR Nabisco Broadcast, the only advertiser subscriber. "We're grateful that it sped up Nielsen's people-meter progress. We do prefer that there is more than one ratings service."

CBS was the only major network to sign up with AGB, and Dave

(Continued on Page 8)

Clorox ups ante in war with P&G

Bleach battle reaches new plateau

By JENNIFER PENDLETON

OAKLAND, CALIF.—Clorox Co. President Jack Collins is upping the ante in his battle with Procter & Gamble Co.

Defending its lead in the $600 million liquid chlorine bleach market, the company has begun testing Clorox Lemon Scent liquid chlorine bleach in Houston with TV ad support, via Foote, Cone & Belding, San Francisco.

The move is significant because the product is going head-to-head with a similar new P&G product in an anticipated battle between two major household product companies.

In an interview with ADVERTISING AGE, Mr. Collins, who is also the marketer's chief operating officer, said, "Liquid bleach is our largest brand from the standpoint of volume and overall contribution to the company's earnings. Anytime a competitor, and especially an established, well-respected company like P&G, comes in . . . I don't like to use the word concern, but it's of keen interest to us."

Market analysts contend Clorox's Lemon Scent test is a signal to P&G that it will not take any challenge to its core business lying down. Bleach accounts for about 45% of Clorox's profit.

The analysts maintain P&G was sending a similar message when it countered Clorox's first detergent entry by testing P&G's Tide with Bleach.

Clorox in June began the Western regional introduction of Clorox Super Detergent, a renamed version of the superconcentrated powder detergent it tested for 18 months under the Wave name, via DDB Needham Worldwide's Chicago office.

This dramatic new-product test represents the largest single com-

(Continued on Page 47)

Mary Wells: On the record

By JON LAFAYETTE

Mary Wells Lawrence, the Greta Garbo of Madison Avenue, is alive and well and, for the moment anyway, living in France.

Although she is keeping close tabs on her agency from across the ocean, the first lady of American advertising said in a rare interview that she has no plans to take an active part in WRG's pitch for IBM Corp.'s $133 million account because she has confidence that the agency's new-business team can push all the right buttons for the computer maker.

Mrs. Lawrence, 60, spoke by telephone from her vacation home in the south of France. She isn't seen very often in public, but she made it clear that she is still the agency's ceo and, as such, is involved in agency business on a day-to-day basis.

And while acknowledging that the rumor mills of advertising have been amply productive in the attention they have paid to her career, she insisted that her health is fine and that she doesn't plan to give up control of the agency any time soon. "It's my baby and I love it," she said of the shop she helped found in 1966 and quickly turned into one of advertising's Midas-like legends.

Within five years after she and Dick Rich and Stu Greene left Jack Tinker & Partners to open their own agency in a Gotham Hotel suite, they were billing $100 million with a client roster brimming with such blue-chip names as Philip Morris Cos., Procter & Gamble Co. and American Motors Corp.

Not only was the agency hot, it grew with style. From its "end of the plain plane" campaign that swathed Braniff jets in bright colors, to its funny, award-winning ads highlighting the disadvantages of smoking Benson & Hedges, its reputation for conspicuous creativity was firmly set.

Mary Wells, in a photo supplied by Wells, Rich, Greene.

And as one of the most highly visible, and highly paid, women executives in the country, she couldn't help but make headlines. She found herself in the media spotlight for marrying client Harding Lawrence, at the time president of Braniff International (and then resigning the account to take on Trans World Airlines); for making millions of dollars by taking the agency public, then taking it private again; and for her $225,000-a-year salary.

She became an American symbol of glamour, success, wealth, brains and beauty.

But all that publicity has died down during the past few years.

"I'm learning to be serene and supportive," she said from her French villa near St. Jean-Cap-Ferrat between Nice and Monte Carlo. "I felt very strongly that if other people were going to come up [and manage the agency] I would have to get my ego down in size and swallow it and pull back and let other people shine. I have to work at that very hard. It's hard to do because people don't want to let you do it. People want to keep the person who founded a company sort of like a bright light. They have a star complex and they want to keep that up."

By remaining the star, she believed she was eclipsing the work others were performing.

"It isn't fair when so much of what's being done at the company is really in the hands of others and they don't get the full credit for what they do.

"When you are the person who started a company, people tend to associate everything with you. I saw that happen with Bill Bernbach when I was working with him. No matter what anybody did, Bill Bernbach got the credit or he got the blame, but mostly he got

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Is Saatchi's stock price too low?—P. 3 | **Mazda may punt James Garner—P. 12** | **Stan Freberg assails ad clutter—P. 32**

7-11 shopping
Doner has edge over rivals

By JENNIFER LAWRENCE

DALLAS—W.B. Doner & Co. may have an inside track at Southland Corp. as the chain seeks a new agency for its 7-Eleven convenience store.

Doner, Southfield, Mich., is already 7-Eleven's "tactical" ad agency, working on market-specific campaigns.

Differences with incumbent Hill, Holliday, Connors, Cosmopulos, New York, over strategic direction, and disappointment in last year's "Where the good things come easy" campaign, caused the advertiser to look elsewhere.

That campaign, which promoted 7-Eleven as a destination rather than just a convenient place to shop, was abandoned earlier this year.

Officially, Southland cited "philosophical differences" with Hill Holliday, which won the account from Young & Rubicam two years ago.

"They put the account up for review and we decided not to participate," an HHCC spokesman said.

Ad budgets were not revealed, but HHCC's portion of the 7-Eleven account was said to be worth an equivalent of $12 million in billings. Southland's measured media expenditures last year totaled $52.1 million.

HHCC's last major TV effort breaks today in spot markets for the introduction of the "Big Bite," a sandwich featuring Oscar Mayer Food Corp. all-beef franks. The hot dog campaign follows the successful introduction of Coca-Cola Slurpees in May, also handled by HHCC.

"The candidate that will win the account will be closely involved in the development of 7-Eleven's strategic direction," said Fred Bradshaw, 7-Eleven advertising and communication manager.

O'Brien joins Hill Holliday—P. 46

Doner's humorous, award-winning Dabney Coleman campaign last year, which ran primarily in Texas and Arizona, and its current market-specific efforts may give the agency an edge over competitors.

"We are not prepared to say now that Doner has the business," Mr. Bradshaw said. "Doner is very much a part of our consideration in the search and we have a close relationship with them." Southland has contacted other agencies but declined to name them.

Mr. Bradshaw said he and consultant Sergio Zyman, a former Coca-Cola Co. marketing executive, will select "no more than nine agencies" before the end of August. The list will be pared by early September with a final decision a month later.

The new agency will be responsible for strategic advertising support, creative, production and media input. Media placement now is handled in-house.

Next year's ad budget will exceed this year's level, which reflects cutbacks after the $4.9 billion leveraged buyout by the Thompson family late last year.

The costly LBO is putting pressure on the 7,000-unit chain. The company has sold close to 1,000 stores and various divisions to finance the debt. Store expansion is on hold so increases must come from existing units.

The company is the largest convenience store chain, ahead of No. 2 Circle K Corp. and No. 3 National Convenience Store's Stop N Go.

"Our goals are to generate sales out of existing stores by providing the best services and products to consumers," Mr. Bradshaw said.#

Gary Levin in New York contributed to this story.

Lord Geller getting hit on all sides

An Advertising Age Roundup

The news keeps getting worse for Lord, Geller, Federico, Einstein.

Last week's abrupt loss of the $10 million Dean Witter Financial Services Group account follows management changes at IBM Corp. that virtually eliminate whatever advantages the incumbent had in fighting to keep all or part of IBM's $138 million account.

Dean Witter's move to Leo Burnett USA, Chicago, was so swift it caught the receiving agency by surprise.

"We had no advance notice," a Burnett spokesman said. "I'm sure Dean Witter is familiar with our work for Allstate, and that's probably why they called, but it was definitely . . . a pleasant surprise."

Burnett has handled the $30 million Allstate Insurance Cos. account since 1957. Allstate and Dean Witter are units of Sears, Roebuck & Co.

Dean Witter's official explanation for the switch was that it needed an agency closer to its new offices in Lincolnshire, Ill., where it recently relocated its advertising and marketing operations from New York.

"What's happening with Lord Geller was not a factor in our moving the account," said Beth Steinfeld, manager of public relations for Dean Witter in New York.

However, others traced the split in part to animosities between Dean Witter Chairman-CEO Philip Purcell and WPP Chief Executive Martin Sorrell.

In an interview after the breakaway of top Lord Geller executives, Mr. Sorrell said he had been particularly irritated by inquiries made to him by Dean Witter's mergers and acquisition unit about the possible sale of the agency (AA, April 4).

Lord Geller's statement, released last week after it was notified of Dean Witter's decision, said: "Our regret is, we suppose, obvious, since Dean Witter has been a first-class client for whom we have done outstanding work. Our frustration is caused by a loss for reasons beyond anyone's control."

Also beyond Lord Geller's control was IBM's marketing department shake-up.

Among the changes, IBM Senior VP George H. Conrades has moved to general manager of U.S. marketing and services from general manager of IBM's personal computer business. IBM VP William O. Grabe takes the new post of assistant general manager-marketing for U.S. marketing and services from assistant general manager-marketing for IBM's mid-range computers (AA, July 25).

Neither Mr. Conrades nor Mr. Grabe has had any major involvement with IBM corporate advertising, which seems to eliminate the advantages of incumbency Lord Geller and Lord Einstein O'Neill & Partners might have had.

Other finalists are D'Arcy Masius Benton & Bowles, Grey Advertising, Lintas:Worldwide and Wells, Rich, Greene, all New York.

Those agencies may be encouraged by reports that Mr. Conrades has been dissatisfied with IBM's past advertising, especially when compared to BBDO Worldwide's advertising for Apple Computer.

Mr. Conrades, however, "is not expected to dramatically alter the direction the review has taken. In his new capacity, [he] will be involved in the final selection, but [the change of personnel] will have no impact on the selection schedule or the selection date," said an IBM spokeswoman.

The agency review, being handled by a lower level management team, is still on schedule and is expected to be wrapped up in late August.#

This story was written by Kate Fitzgerald in Chicago with contributions from Alan Radding in Boston and Gary Levin in New York.

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SPECIAL REPORT

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Catalogs, catalogs, catalogs! Section profiles Spiegel Inc., Walt Disney Co. and American Express Co., how the newsstand sales experiment failed and why catalogers dislike the election process.

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Agencies boost profit margins

By JON LAFAYETTE

NEW YORK—Profit margins at publicly held advertising agencies are on the rise.

Agencies' second-quarter results are likely to show that the vigorous cost-cutting, including job cutbacks, is having an impact.

In announcements last week, Interpublic Group of Cos. reported record income for the period, while London-based WCRS Group said that acquisitions boosted its earnings to a record for the ninth straight fiscal year.

Significantly, Interpublic's profit margin—profits as a percentage of revenues—grew to 16.6% from 16.2% a year ago, said analyst Greg Ostroff of Goldman Sachs.

Alan Gottesman, an analyst at PaineWebber, noted that domestic revenues at Interpublic seem particularly strong, rising 15% to 16% after experiencing a slim 1% increase last year.

In its second-quarter report, Interpublic said net income for the quarter rose 19.3% to $24.2 million as gross income increased 13.2% to $282.6 million. The company said its agencies, including McCann-Erickson Worldwide and Lintas:Worldwide, gained net new business of

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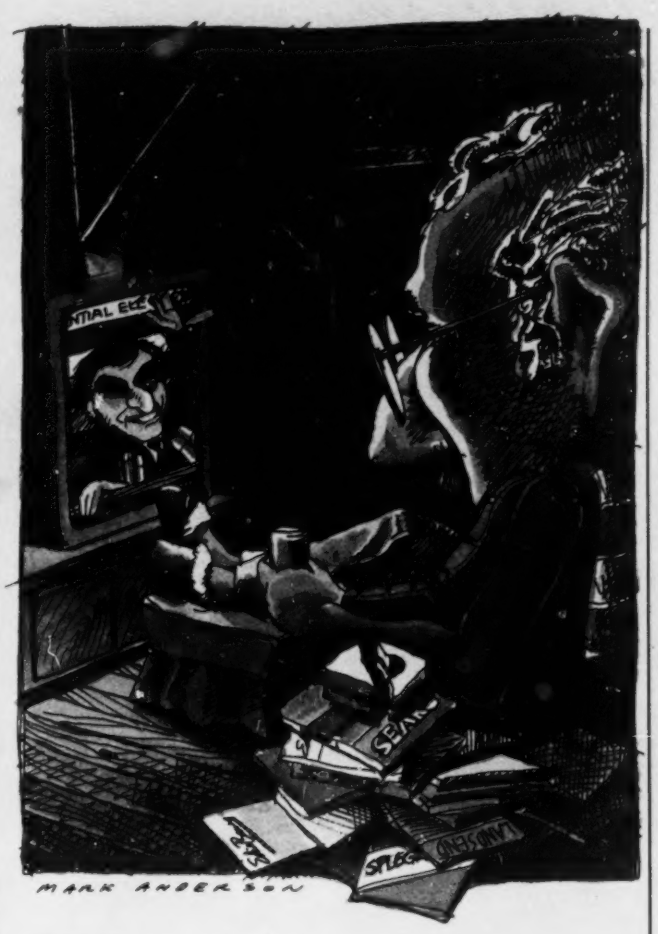

Election year frenzy bane of catalogers

As if rising costs weren't enough, catalog companies brace for downturn during political season

By Ed Fitch

They might represent the toughest voting bloc George Bush or Michael Dukakis will face this November. Their negative outlook toward the Nov. 8 event is not an indictment of either candidate, however. Catalogers simply dislike the election process.

Don't call them radicals, either. Call them businesspeople who face a quadrennial slump whenever election year rolls around, diverting consumer attention from placing catalog orders.

On top of dealing with an election that falls in the midst of their prime selling season, catalog companies are facing rising merchandise, postal and paper costs plus a softening in consumer retail spending.

Accounting for an estimated 20% to 30% of catalog costs, third-class postage rates soared 25% in April. Paper costs also will jump about 10% this year, hewing profits to a pulp.

The ever-present threat of Congress removing mail-order sales tax exemptions and a recent U.S. Supreme Court decision supporting a sales-and-use tax levied on catalogs sent free to Louisiana residents but printed out of state (AA, May 23 *et seq.*) also keep catalogers constantly looking over their shoulders.

A February Direct Marketing Association survey of leading catalog companies showed pessimism at its highest level in five years. When asked their expectations of next season's performance, 43% sensed a downturn—a marked change from last September's 12%.

Last September only 7% announced a decline in profits; in February 22% experienced a drop. Those suffering a downturn in response rates skyrocketed from 12% to 48% in the six-month period.

But just when they seem to be teetering, catalogers find ways to fight back.

"[Rising postal and production costs and election year downturns] are a way of life and unfortunately they came together this year. But catalogers figure a way around it," says Steve Millard, president of Millard Group, a catalog consultancy and list broker.

Recent opinions cast doubt on the February survey's accuracy as a barometer. "They sure didn't talk to us," says Terry Wilson, VP-public and investor relations, Lands' End, which is bullish on cataloging for both the short and long term. Rodney Birkins, president of J.C. Penney Co.'s catalog division, expects a very strong year.

Maxwell Sroge, president of Marke/Sroge, a catalog development consultancy, predicts consumer catalog revenues will hit $38.6 billion, up 14.9% over last year and well above the 3% growth estimate for retailers. First-quarter results for the publicly owned companies he follows were up 27%.

Catalogers are exploring many options to defray the increased costs' impact, however. Lands' End raised shipping and handling charges 16.7% in April to cover increases. Bright's Creek, J. Crew, Johnny Appleseed's and Tweeds also boosted service charges. J. Crew also hiked merchandise prices, as did Boston Proper and Lands' End.

The weak value of the dollar overseas is putting the squeeze on any cataloger relying on imported product. A letter to customers in Lands' End's July catalog went to great lengths to explain the exchange rate's impact on price increases. "We have to price our products to reflect the costs we pay," Mr. Wilson says.

Product price hikes will not be outrageous because catalogers are determined to compete with retail store prices, says Mr. Sroge. "It will hit a point where customers will not pay a premium for convenience."

Other options involve trying new paper weights and cutting the size of catalogs—in terms of trim sizes, pages featured and number mailed. Arnold Fishman, president of Marketing Logistics, a mail-order consultancy, says companies experiment with these options at great risk.

"The savings are marginal in doing things like trimming the sizes and can't be done without jeopardy," he says.

Mr. Birkins agrees, saying, "Rather than cut the corners, it's better to watch who you send your book to. If you have control of your mailing list, you can get books into the right hands."

In addition to carrying as many products as possible, Mr. Fishman says that with annual customer attrition of 5% to 10%, catalogers should maintain as high a circulation as feasible to sustain sales.

The list broker business is predicting its first no-growth year, says Mr. Millard, adding that his orders have declined 15% as catalogers dig more deeply into their house files.

Catalogers confirm they are cutting back on prospecting for new clients. "We're being careful to mail to our best customers, but then we always have," Mr. Wilson says.

Another cost-cutting option is to deliver catalogs by means other than the U.S. Postal Service. While catalogers and magazine publishers actively are investigating other opportunities, an early attempt by Lillian Vernon to insert a 16-page children's catalog in *The New York Times* fell flat (AA, May 2).

"The average cataloger won't fiddle around with alternate delivery because they require an undue amount of management time," says Mr. Millard. Mr. Birkins insists, however, that Penney will bypass the USPS if it finds a more efficient distribution method.

Catalogers' willingness to adapt to constraints leads Mr. Millard to revise what he describes as a gloom-and-doom prognosis this spring. With cost increases a way of business, catalogers realize it will never be cheaper to mail than now.

At Lands' End, Mr. Wilson even sneers at the election's effect. "The decision to buy a new shirt or skirt probably won't be influenced by whether a Democrat or Republican is sitting in the White House."

> ***"It's better to watch who you send your book to. If you have control of your mailing list, you can get books into the right hands."***
>
> Rodney Birkins
> J.C. Penney Co.'s
> catalog division

DATABANK — Direct Marketing

Big books, big sales

Catalog sales, 1986 ($000,000)*

1. Sears, Roebuck & Co.	$3,711.4	6. Fingerhut	316.0
2. J.C. Penney Co.	2,332.0	7. Lands' End	265.0
3. Spiegel Inc.	882.2	8. Hanover House	256.0
4. Brylane	475.0	9. Avon Products	216.2
5. L.L. Bean	367.8	10. General Mills	200.0

* Most recent figures available Source: Ward, Ellis & Lovell

Through rain, sleet . . . and catalogs

Number of catalogs mailed (000,000,000); % change

1987	12.4	5.1%
1986	11.8	18.0
1985	10.0	17.6
1984	8.5	26.9
1983	6.7	13.6

Source: Direct Marketing Association; Advertising Age

A consuming passion

Consumer catalog sales ($000,000,000); % change

1988	$38.6	14.9%
1987	33.6	14.3
1986	29.4	8.9
1985	27.0	8.9
1984	24.8	10.2

Source: Marke/Sroge Communications

HOT PROPERTIES

Buyer preferences: More is less

Products consumers most prefer to buy via catalog	*Products consumers say they never buy via catalog*
1. Books, records, tapes	1. Expensive jewelry
2. Casual clothing	2. Expensive dresses
3. Undergarments	3. Major appliances
4. Sports equipment	4. Suits
5. Small appliances	5. Shoes

Source: Kropp/Taylor USA; Yankelovich, Skelly & White/Clancy, Shulman

Showrooms fend off the dinosaur look

Caught in web of the catalog's locked-in pricing, the segment's lament is summed up: 'It is a pain in the neck to do, but it's too vital to give up'

By Joanne Y. Cleaver

Catalog showrooms are exercising a right of American business: When you start losing at your own game, change the rules.

The alterations are so extreme that the category name may need changing. Although they still feature catalogs, many showrooms are deemphasizing the book as they struggle to find their position between low-price mass merchandisers' broad product selections and price cutting by specialty discounters and membership clubs.

Joanne Y. Cleaver, a frequent contributor to Special Report, specializes in retail subjects.

"They used to be catalog showrooms, now they have become more of straight discount operations," says Steve Ashley, retail analyst, Blunt, Ellis & Loewi. "The catalog is much less a facet of the operation."

According to *Upscale Discounting*, the showrooms' aggregate sales hit $8.6 billion in 1987, 8.9% up from 1986's $7.9 billion but still 14% below 1985's $10 billion.

Indicating the pressure on the segment, McDade & Co. filed for bankruptcy last November; Allied Wholesale Distributors and Wilkor Jewelry & Showroom closed their doors early last month.

The situation has caused the chains to view their catalogs, once their trademark, as more of an albatross. The traditional 400-to-500-page catalog locks in product selections and prices at annual intervals, leaving less room for flexibility and making them more vulnerable to competitors.

About 50% of the customer base uses the catalog primarily to compare prices, says Leonard Luria, chairman and president, L. Luria & Sons, a Florida-based chain of 43 catalog showrooms.

"That's the weakest part of it. You're laid out before the competitors," he says.

Completely canning something that 50% of the customers rely on would be impossible, he says. "It is a pain in the neck to do and is very time consuming and costly. But it's too vital to give up."

Best Products, the No. 2 chain with sales of $2.1 billion in its fiscal year ending Jan. 30, is addressing the problem by reducing its catalog's role. It downsized the catalog this year from more than 400 pages to about 300 pages that feature only half the items carried in Best showrooms.

"The catalog is intended to give an idea of the categories and assortment customers can find in the store," says Mark Murphy, VP-corporate communications at Best Products. "With only half the items in the catalog, we can respond much more quickly to customer demands."

Like many other showrooms, Best is seeking marketplace flexibility by increasing the number of supplements that push seasonal and promotional items. It currently is dropping supplements every other week.

When Best Products reduced its catalog size, however, the space devoted to jewelry was kept constant, boosting jewelry-oriented pages to about 33% of the catalog rather than 25%.

The reason is obvious. "They have category dominance in jewelry and they're fighting like hell to hold onto everything else," says Mr. Ashley.

Jewelry, watches, clocks, silver and gifts account for 47% of showroom sales, according to *Upscale Discounting*. Arnold Fishman, president of Marketing Logistics, a mail-order consultancy, speculates that jewelry eventually will account for up to 40% of sales.

Mr. Luria began to alter his merchandise as sales eroded,

DATA BANK

Not much to show for themselves

Mail-order sales, 1987 ($ 000,000)

Department/specialty stores	$4,930
Big 4 catalogers	3,070
Catalog showrooms	770

Source: Marketing Logistics

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